

J. C. PENNEY COMPANY

A DELAWARE CORPORATION

DIRECTORS

J. C. PENNEY, *Chairman*

F. A. BANTZ

L. W. HYER

F. W. BINZEN

G. E. MACK

J. F. BROWN

E. A. ROSS

J. I. H. HERBERT

H. H. SCHWAMB

A. W. HUGHES

H. F. TORREY

OFFICERS

J. C. PENNEY

Chairman of the Board

A. W. HUGHES

President

H. H. SCHWAMB

Vice-President—Personnel

G. E. MACK

Executive Vice-President and Treasurer

H. F. TORREY

Vice-President—Sales

F. A. BANTZ

Vice-President—Merchandise

A. J. RASKOPF

Secretary

J. F. BROWN

Vice-President—Real Estate and Construction

R. C. WEIDERMAN

Comptroller

J. C. PENNEY COMPANY

A DELAWARE CORPORATION

1950

ANNUAL REPORT



Stores by States, December 31, 1950

Alabama	13	Iowa	68	Nebraska	52	South Carolina	13
Arizona	17	Kansas	77	Nevada	6	South Dakota	27
Arkansas	18	Kentucky	21	New Hampshire	3	Tennessee	21
California	141	Louisiana	11	New Jersey	4	Texas	122
Colorado	48	Maine	9	New Mexico	17	Utah	30
Connecticut	6	Maryland	6	New York	32	Vermont	4
Delaware	2	Massachusetts	10	North Carolina	32	Virginia	13
Florida	19	Michigan	53	North Dakota	33	Washington	61
Georgia	17	Minnesota	63	Ohio	63	West Virginia	12
Idaho	35	Mississippi	19	Oklahoma	50	Wisconsin	54
Illinois	50	Missouri	50	Oregon	42	Wyoming	22
Indiana	52	Montana	35	Pennsylvania	58		
				Rhode Island	1		
						Total Stores—	1612

TWO YEAR COMPARISON

	<u>1950</u>	<u>1949</u>
Number of Stores.....	1612	1607
<hr/>		
Sales.....	\$949,711,735.43	\$880,200,216.98
Average Sales per Store.....	589,151.20	547,728.82
Net Earnings.....	44,930,816.28	41,792,675.23
Earnings per Share.....	5.46	5.08
Taxes — Federal, State and Local.	49,392,793.61	33,583,416.99
Taxes per Share.....	6.00	4.08
Dividends	28,811,832.00	24,695,856.00
Dividends per Share.....	3.50	3.00
Earnings retained for reinvestment in the business.....	16,118,984.28	17,096,819.23
Inventories	164,813,510.27	132,185,108.15
Stockholders' equity.....	190,914,656.02	174,795,671.74
<hr/>		
Number of Stockholders.....	28,500	29,100

TO THE STOCKHOLDERS OF J. C. PENNEY COMPANY

March 9, 1951

The results of our Company's operation for the year 1950 are presented in outline on the opposite page and in greater detail in the balance sheet and statement of earnings included in this report. We believe you will find them interesting and indicative of a sound operation.

S A L E S

Sales of the J. C. Penney Company for 1950 attained a new high for the Company — \$949,711,735.43. This total was \$69,511,518.45 above the 1949 volume, an increase of 7.90%. The greater amount of this increase came in the last six months, when volume was undoubtedly stimulated by the beginning of hostilities in Korea and by the consequent concern of consumers as to possible scarcities.

FINANCIAL POSITION AND INVENTORY

As of December 31, 1950, Cash and Short-Term Government Securities totalled \$117,550,934.98. At the end of 1949 the corresponding figure was \$103,157,153.92. Merchandise inventories as of December 31, 1950, amounted to \$164,813,510.27, an increase of \$32,628,402.12 over the year-end inventories for 1949. This increase appeared to be sound, in view of the greater sales for 1950 and in the light

of existing consumer buying power and demand. Numerous checks made by the Company evidenced the fact that the condition of the merchandise included in these inventories, as to items, quality, and freshness was as good as, or better than, at any time in recent years.

EARNINGS AND DIVIDENDS

Net earnings for 1950 were \$44,930,816.28, or \$5.46 per share. This compares with \$41,792,675.23, or \$5.08 per share, for the preceding year. The earnings before taxes for 1950 were, of course, considerably higher than in 1949. Federal taxes were substantially increased because of the new tax law. Corporation normal and surtax rates were raised from 38% to 45%, as of July 1st, and the new Excess Profits Tax became effective on that same date.

From the earnings \$16,118,984.28 was retained for reinvestment in the Company's business. Dividends declared during 1950 amounted to \$3.50 per share—four dividends of 50¢ each, and an extra dividend of \$1.50 per share.

NEW STORES — IMPROVEMENTS AND ALTERATIONS

During the year eleven stores were opened in new communities. Six stores were closed in localities where conditions were such as to limit the possibilities for a satisfactory operation. The

Company carried forward its program of improving existing stores. In 23 locations stores moved into new buildings; over 175 other stores were improved. In some cases, this work included extensive alterations and added floor space. Other stores were refixedured or were redecorated.

In view of the restrictions which have been placed on commercial building, the Penney Company is fortunate in the improvement program which has been carried on steadily, both before World War II and since its close. During this period over 1,000 Penney stores have shared in varying degrees in this program, and the Company's stores, generally, are in excellent shape to serve our customers.

CHANGES IN BOARD OF DIRECTORS

On July 1st F. W. Binzen, Executive Vice President and head of the Company's Merchandise Department, retired under the Company's Retirement Plan for the Management Staff. Mr. Binzen had been associated with the Company since 1926, and had served as a Director since 1935. Mr. Binzen continues as a Director and the Company is fortunate to retain the advantage of his experience and judgment.

On July 23rd Mr. Earl C. Sams, an associate of the Company since 1907, President of the Company from 1917 to 1946, and Chairman of the Board from 1946, passed away. His death was a great loss to this Company, in which his leadership had been so outstanding for over 40 years. In December Mr. J. C. Penney, Honorary Chairman of the Board of Directors since 1946, was again named Chairman of the Board. Mr. Homer F. Torrey, Vice President in charge of Sales and an associate of the Company since 1919, was elected to the Board to fill the existing vacancy.

STOCKHOLDERS

At the end of 1950 there were 28,504 registered owners of the common stock of the J. C. Penney Company. The actual number of individual stockholders was probably somewhat larger than this due to the fact that shares of beneficial owners are sometimes consolidated and registered in the names of various nominees, brokers, and bankers. It is interesting to note that the list of registered stockholders includes over 12,000 women. A study of the stockholders' list over a period of years also indicates that an increasing percentage of the stock is held in the investment portfolios of public institutions, such as colleges, universities, hospitals, orphanages and other organizations which mean so much to our American way of life.

THE OUTLOOK

This is not a favorable time—if there is such a time—to indulge in forecasting the future. These are difficult times—challenging to all. We feel, however, that you, as stockholders of the J. C. Penney Company, can look with confidence on the prospects for continued progress of this Company. Our reasons for this statement are found in the fundamental principles which control this business now as in the past and in the status of this organization as of December 31, 1950.

The Company's financial position is strong and liquid. The only outstanding security consists of common stock, with no prior obligation in the way of bonds or preferred stock. The cash position is ample for any foreseeable developments.

This Company deals largely in the things which American families wear and use in their households. The great bulk of our business is in so-called "soft goods," which, on the basis of past experience, are required for defense needs less generally than the so-called "hard lines."

M E R C H A N D I S E

The Penney Company has established a reputation for giving value in exchange for the customer's dollar. We have endeavored to buy merchandise that will give service and satisfaction. We continually test this merchandise in our laboratory. We strive to avoid frills and to save the customer money by not wasting it in our operation. Even though we may face scarcities in certain raw materials or in some finished products, we shall do our best to protect the quality of what we sell and to pack the Penney customer's dollar full of value. In this we know we can count on the help of thousands of American manufacturers who have been so instrumental in furthering our efforts to give the most and the best for the least.

Our 1612 stores are located in excellent shopping centers. While there is at least one Penney store in every state, the widest coverage of our stores is found in those sections of the United States where the population and income trends have been going up in the past decade. Because of our continuous program of improvement, these stores are generally in excellent physical condition.

P E R S O N N E L

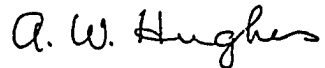
The personnel of this Company is its greatest asset. We are proud of the thousands of Penney associates whose loyalty and efforts make Company results possible. We appreciate and acknowledge with thanks their support and cooperation. Through careful selection, through constant training, and through friendly

and interested leadership, we shall strive to maintain the spirit and morale which is so vital, particularly in a retail business which meets millions of customers daily.

The management of this Company—including executives, buyers, store managers, and other associates in responsible positions—is dependent for earnings largely on the results produced. The Penney Company has grown from a small beginning 49 years ago to its present size, because many individuals have been given every opportunity to develop to the limit of their capacity and have been rewarded on the basis of the job done. As a result responsibility is shared by many; and the unique incentive system developed by the Penney Company—usually termed “profit sharing”—is, in our experience and judgment, the most effective way of challenging and bringing out the best in men.

The Penney Company has grown as our nation has grown. Despite the world problems which beset us, despite the stress and strain which we face, we believe in America, in the ultimate triumph of right over greed and brute force, and in the future of the United States. It is our purpose and hope to continue the development and progress of the J. C. Penney Company to keep pace with the development and progress of our Nation.

Sincerely yours,



President

The Annual Meeting of Stockholders will be held on April 20th, 1951. You are cordially invited to attend this meeting. A proxy statement, with a request for proxies, will be mailed to stockholders on or about March 22nd. It will be appreciated if you give your prompt attention to the Proxy Statement and Proxy when received.

YEAR-BY-YEAR SALES FIGURES

1902-1950

<u>YEAR</u>	<u>NO. OF STORES</u>	<u>GROSS BUSINESS</u>	<u>YEAR</u>	<u>NO. OF STORES</u>	<u>GROSS BUSINESS</u>
1902	1	\$ 28,898.11	1926	747	115,683,023.37
1903	1	63,522.95	1927	892	151,957,865.20
1904	2	94,165.49	1928	1,023	176,698,989.14
1905	2	97,653.54	1929	1,395	209,690,417.77
1906	2	127,128.36	1930	1,452	192,943,765.42
1907	2	166,313.82	1931	1,459	173,705,094.52
1908	4	218,432.35	1932	1,473	155,271,981.19
1909	6	310,062.16	1933	1,466	178,773,965.06
1910	14	662,331.16	1934	1,474	212,053,361.46
1911	22	1,183,279.96	1935	1,481	225,936,100.88
1912	34	2,050,641.99	1936	1,496	258,322,479.00
1913	48	2,637,293.72	1937	1,523	275,375,137.32
1914	71	3,560,293.75	1938	1,539	257,963,945.53
1915	86	4,825,072.19	1939	1,554	282,133,933.64
1916	127	8,428,144.34	1940	1,586	304,539,325.64
1917	177	14,881,203.14	1941	1,605	377,571,710.99
1918	197	21,338,103.60	1942	1,611	490,295,173.10
1919	197	28,783,965.42	1943	1,610	489,888,090.69
1920	312	42,846,008.53	1944	1,608	535,362,894.30
1921	313	46,641,928.20	1945	1,602	549,149,147.67
1922	371	49,035,729.06	1946	1,601	676,570,117.03
1923	475	62,188,978.73	1947	1,603	775,872,590.75
1924	569	74,261,343.00	1948	1,601	885,195,136.87
1925	674	91,062,616.17	1949	1,607	880,200,216.98
			1950	1,612	949,711,735.43

1950

ANNUAL REPORT

J. C. PENNEY BUILDING &
REALTY CORPORATION
(A NEW YORK CORPORATION)

J. C. Penney Building & Realty Corporation

BALANCE SHEET

As of December 31, 1950

ASSETS

Cash in Bank		\$	20,661.54
Land and Buildings—at sound value based on estimated replacement cost at Decem- ber 31, 1932, plus subsequent additions at cost:			
Land	\$1,676,327.30		
Buildings	\$7,868,880.91		
Less Provision for depreciation	<u>2,373,175.94</u>	<u>5,495,704.97</u>	<u>7,172,032.27</u>
			<u>\$7,192,693.81</u>

LIABILITIES

Accounts Payable and Accrued Liabilities	\$	13,915.46
Provision for Federal Income Taxes		146,400.31
Demand Notes Payable to Parent Company		5,316,000.00
Capital Stock—Authorized and Outstanding, 100 shares, no par value		
Retained Earnings		<u>1,716,378.04</u>
		<u>\$7,192,693.81</u>

Wholly Owned

Subsidiary of

J. C. PENNEY COMPANY.

J. C. Penney Building & Realty Corporation

STATEMENT OF EARNINGS

For the Year ended December 31, 1950

Rent Received (from parent company)		\$775,184.15
Interest Paid (to parent company)	\$ 51,185.79	
Property Operating and General Expenses	162,710.64	
Depreciation	217,518.18	
Taxes, other than Federal Income Taxes	<u>31,899.98</u>	<u>463,314.59</u>
Earnings before Provision for		
Federal Income Taxes		311,869.56
Provision for Federal Income Taxes		<u>145,000.00</u>
Net Earnings for the year		<u><u>\$166,869.56</u></u>

STATEMENT OF RETAINED EARNINGS

For the Year ended December 31, 1950

Balance at December 31, 1949	\$1,549,508.48
Net Earnings for the year	<u>166,869.56</u>
Balance at December 31, 1950	<u><u>\$1,716,378.04</u></u>

ACCOUNTANTS' REPORT

To the Board of Directors,
J. C. Penney Building & Realty Corporation,
New York, N. Y.

We have examined the balance sheet of the J. C. Penney Building & Realty Corporation as of December 31, 1950 and the related statements of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings and retained earnings present fairly the financial position of the J. C. Penney Building & Realty Corporation at December 31, 1950 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

New York, N. Y.,
March 9, 1951.

DIRECTORS

A. W. HUGHES, *Chairman*

F. W. BINZEN

G. E. MACK

J. F. BROWN

A. J. RASKOPF

OFFICERS

A. W. HUGHES.....*Chairman of the Board*

J. F. BROWN.....*President*

F. W. BINZEN.....*Vice-President*

G. E. MACK.....*Treasurer*

A. J. RASKOPF.....*Secretary*

PENNEY'S

ALWAYS FIRST QUALITY



America knows

... and depends on ...

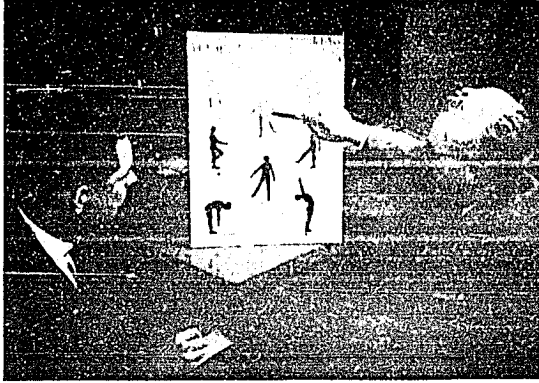
Penney quality

To millions of this nation's shoppers, **First Quality** means a safe buy. It automatically rules out the dubious "bargains" and irregular qualities that conceal the truth about what a family's dollar is capable of buying.

Nothing gets house room in a Penney store unless it is perfect quality. Such top-volume sellers as our Gaymode Hose and Towncraft Shirts have held their own, year after year, against stiff price competition because Penney quality is as close to flawless as we can make it. That is why so large a share of the nation's bill for wearing apparel and home needs is ours! People look to Penney's for

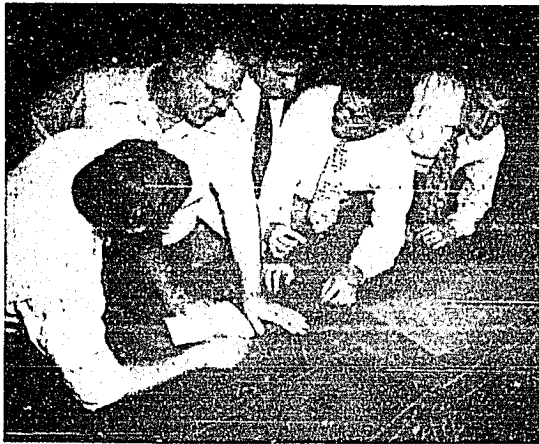
... ALWAYS FIRST QUALITY

Constant vigilance assures...



Alert Buyers

Always First Quality merchandise doesn't just happen. It takes high buying standards, rigidly enforced by buyers constantly on the alert. Over 200 trained, skilled buying experts, strategically located in the important production centers of the United States, work constantly to improve the quality of the goods sold in Penney stores from coast to coast.



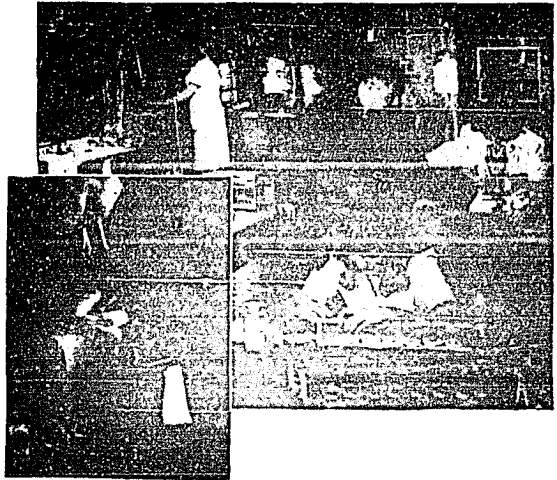
Cooperative Manufacturers

A Large, Highly Competent Group of manufacturers cooperates continually with our own buyers to produce first quality merchandise for the least possible amount of money. This group, representing the best technical and production talent in America, has done much to make Penney merchandise of the uniformly high quality it is today.

... Always First Quality

Constant Testing

Always First Quality, the outstanding characteristic of Penney merchandise, applies equally to all categories. All are subjected regularly to the merciless scrutiny of the technicians in our modern laboratory before the merchandise has taken its place on our shelves; a tremendous help in making selections and controlling quality.



Informed Salespeople

Penney Customers Depend on our selling associates to help them decide what merchandise best serves their needs. Detailed information with respect to merchandise is continuously provided to our salespeople to make sure that the right goods are offered to the right people, in the right way, at the right time. And that brings customers back again and again!



J. C. PENNEY COMPANY

BALANCE SHEET AS OF DECEMBER 31, 1950 IN COMPARISON WITH DECEMBER 31, 1949

ASSETS	1950	1949
CURRENT ASSETS:		
Cash in banks and on hand	\$ 84,444,766.64	\$ 76,134,270.58
U. S. Government securities— at cost, plus accrued interest (approximate market price)	33,106,168.34	27,022,883.34
Accounts receivable—miscellaneous	1,516,921.60	1,234,240.37
Merchandise (Note 1)	164,813,510.27	132,185,108.15
Total Current Assets	283,881,366.85	236,576,502.44
Investments in and Advances to Subsidiary Companies (including retained earnings) — at amounts shown by subsidiaries' balance sheets:		
Advances to wholly-owned subsidiary (J. C. Penney Building & Realty Corporation) . .	5,316,000.00	5,319,000.00
Capital stock and retained earnings:		
J. C. Penney Building & Realty Corporation	1,716,378.04	1,549,508.48
Crescent Corset Company, Inc. (since sold)	—	1,477,871.64
	7,032,378.04	8,346,380.12
Fixed Assets, at not in excess of cost, less provision for depreciation:		
Land	1,001,047.96	1,104,636.29
Buildings, less provision for depreciation, \$761,841.46 at December 31, 1950 and \$693,174.84 at December 31, 1949	1,623,701.55	2,032,087.22
Furniture and fixtures, less provision for depreciation	23,133,236.39	21,683,506.30
Improvements to leaseholds, less amortization	3,746,585.30	3,451,829.64
	29,504,571.20	28,272,059.45
Deferred Charges — Leasehold Advances, Unexpired Insurance Premiums, etc.	2,018,779.40	1,914,352.58
	\$322,437,095.49	\$275,109,294.59

NOTES:

1—Inventories are stated at the lower of cost or market determined as follows:

Merchandise in stores—lower of cost or market determined by the retail method. Stocks in warehouses and with manufacturers, including raw materials shipped to manufacturers—cost determined by the first-in first-out method and market on the basis of replacement cost.

2—Under the Company's long standing practice most of its properties are occupied under leases. At December 31, 1950 the total of minimum annual fixed rentals payable under leases (excluding those with a wholly owned subsidiary) expiring after December 31, 1955 was approximately \$6,200,000 per annum. Leases covering about 75% of this amount expire on various dates prior to December 31, 1970.

J. C. PENNEY COMPANY

BALANCE SHEET AS OF DECEMBER 31, 1950 IN COMPARISON WITH DECEMBER 31, 1949

LIABILITIES	<u>1950</u>	<u>1949</u>
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 71,905,788.48	\$ 59,085,532.07
Dividends payable January 3 of following year	16,463,904.00	12,347,928.00
Provision for Federal taxes on income	<u>40,533,247.47</u>	<u>25,989,828.38</u>
Total Current Liabilities	<u>128,902,939.95</u>	<u>97,423,288.45</u>
Reserves for Fire Losses, Employees' Death Benefits, Etc.		
	<u>2,619,499.52</u>	<u>2,890,334.40</u>
Stockholders' Equity:		
Common Stock, no par value:		
Authorized, 9,000,000 shares.		
Outstanding, 8,231,952 shares	<u>34,122,766.67</u>	<u>34,122,766.67</u>
Retained Earnings:		
J. C. Penney Company	155,075,511.31	137,695,524.95
Subsidiaries	<u>1,716,378.04</u>	<u>2,977,380.12</u>
	<u>156,791,889.35</u>	<u>140,672,905.07</u>
Total Stockholders' Equity	<u>190,914,656.02</u>	<u>174,795,671.74</u>
	<u>\$322,437,095.49</u>	<u>\$275,109,294.59</u>

ACCOUNTANTS' REPORT

To the Board of Directors,
J. C. Penney Company,
New York, N. Y.

We have examined the balance sheet of the J. C. Penney Company as of December 31, 1950 and the related statements of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings and retained earnings present fairly the financial position of the J. C. Penney Company at December 31, 1950 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.,
March 9, 1951.

PEAT, MARWICK, MITCHELL & CO.

J. C. PENNEY COMPANY

STATEMENTS OF EARNINGS AND RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1950 IN COMPARISON WITH THE YEAR ENDED DECEMBER 31, 1949 (Including earnings of subsidiaries)

EARNINGS	1950	1949
Sales	\$949,711,735.43	\$880,200,216.98
Deduct:		
Cost of Merchandise Sold, and Selling and General Expenses (exclusive of items set forth below)	848,332,185.55	797,620,660.58
Maintenance and Repairs	1,952,063.79	2,097,161.89
Depreciation and Amortization	4,003,804.68	3,701,688.35
Taxes, other than Income Taxes	7,752,793.61	6,733,416.99
Company Contributions to Retirement Plans ...	4,241,049.16	4,141,092.09
	<u>866,281,896.79</u>	<u>814,294,019.90</u>
	83,429,838.64	65,906,197.08
Add Discount on Purchases and Miscellaneous Income, less Miscellaneous Charges	<u>2,813,361.14</u>	<u>2,504,919.74</u>
Earnings before Provision for Taxes on Income	<u>86,243,199.78</u>	<u>68,411,116.82</u>
Provision for Taxes on Income:		
Federal (including \$3,700,000 excess profits tax in 1950)	40,500,000.00	26,010,000.00
Other income taxes	1,140,000.00	840,000.00
	<u>41,640,000.00</u>	<u>26,850,000.00</u>
	44,603,199.78	41,561,116.82
Add Earnings of Subsidiaries, including profit from sale of Crescent Corset Company, Inc. in 1950	327,616.50	231,558.41
Net Earnings for the year	<u>\$ 44,930,816.28</u>	<u>\$ 41,792,675.23</u>
RETAINED EARNINGS		
Balance at beginning of year	\$140,672,905.07	\$123,576,085.84
Net Earnings for the year	<u>44,930,816.28</u>	<u>41,792,675.23</u>
	185,603,721.35	165,368,761.07
Dividends Paid—(\$3.50 per share, 1950; \$3.00 per share, 1949)	<u>28,811,832.00</u>	<u>24,695,856.00</u>
Balance at end of year	<u>\$156,791,889.35</u>	<u>\$140,672,905.07</u>
Note:		
Common stock outstanding at end of year Shares	<u>8,231,952</u>	<u>8,231,952</u>
Earnings per share	<u>\$5.46</u>	<u>\$5.08</u>